

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUREAU
CORPORATION FILE

ROYAL
CROWN
COLA

1971
ANNUAL
REPORT

ROYAL CROWN COLA CO./1000 TENTH AVENUE/COLUMBUS, GEORGIA 31901

1971	1970	HIGHLIGHTS
\$125,749,785	116,617,071	Products sold
8,401,047	6,578,413	Net income
\$1.22	96¢	<i>per share</i>
3,664,786	3,350,104	Dividends declared
54½¢	54¢	<i>per share</i>
11,277,874	3,455,705	Fixed assets added
14,513,113	14,386,691	Working funds
		Capital:
1,878,079	2,239,655	Term debt
\$ 39,820,831	31,370,746	Equity
6,899,555	6,876,577	Average shares out



MANAGEMENT

OFFICERS:

William T. Young
Chairman of the Board

William C. Durkee
President
and chief executive

Ray E. Crowley
Senior Vice President

Burton N. Lowe
Senior Vice President

Reginald A. Sinclair
President, Royal Crown
Cola International

Robert M. Worden
President, Royal Crown
USA Bottlers

Lawrence E. Mock
Finance Vice President

Wilson F. Fowle, Jr.
Vice President
Marketing

W.T. Miller
Vice President
Production

Melford G. Wolfe
Vice President
Sales

George A. Morris, Jr.
Vice President
Franchise Development

W. Nolan Murrah, Jr.
Vice President
Secretary
and General Counsel

J.J. Harford
Vice President
East Operations

L. Edward Smith
Vice President
West Operations

W.D. Morgan
Treasurer

George W. Gray
Controller

Agatha H. Harden
Assistant Secretary

DIRECTORS:

Cason J. Callaway, Jr.
President
Dixie Size
and Chemical Co.
Columbus, Georgia

William C. Durkee
President
and chief executive
Royal Crown Cola Co.

John H. Glenn, Jr.
Business and
technical consultant
Columbus, Ohio

W.H. Glenn
President
Pickett & Hatcher
Educational Fund
Columbus, Georgia

Clarence B. Hanson, Jr.
President and publisher
The Birmingham
News Company
Birmingham, Alabama

B. H. Hardaway III
President
Hardaway Contracting
Company
Columbus, Georgia

Thomas H. Stanley
President
American Federal
Savings and Loan
Association
Columbus, Georgia

Arthur G. Wakeman
Business consultant
Neenah, Wisconsin

William T. Young
Chairman of the Board
Royal Crown Cola Co.

TRANSFER AGENTS:

First National City Bank, New York 10015
The First National Bank, Columbus, Georgia 31901

REGISTRARS:

Bankers Trust Company, New York 10015
Columbus Bank and Trust Company,
Columbus, Georgia 31901

TO THE SHAREOWNERS:

By all counts, 1971 was a resoundingly good year for Royal Crown Cola Co., its employees and shareowners. Sales rose to a record \$125,749,785 or 13% more than in any prior year, excluding discontinued operations. Earnings reflected this, too, with per share earnings of \$1.22 for each average share outstanding during the year, 27% more than the previous high.

Our spearhead brand, RC Cola, reached new sales highs in the nation's food stores where during the last nine months it doubled competition's rate of growth. During this period a new product, Sugar Free RC, with less than one calorie per 16 ounces, was successfully tested and is now being introduced into major domestic markets. Diet Rite Cola continued to lead the dietary field as it has in the past.

Royal Crown led the industry in responsiveness to the problems of ecology and good consumer value with introduction of The Saver and The Big Saver, paper labeled, trademarked, returnable bottles with aluminum twist-off caps which were designed to be used with all Royal Crown products. Because they are returnable, The Saver and The Big Saver deliver the highest quality soft drinks to the consumer at the lowest cost per serving, while making maximum use of natural resources and helping to prevent litter. Even the aluminum caps are returnable for recycling.

The Company expanded its scope of operations abroad during 1971 by

franchising fifteen more soft drink marketing areas in such countries as Japan, Okinawa, Philippines, Australia, Venezuela, Austria and Canada.

Penetration of the natural fruit juice segment of the liquid refreshment market was broadened by the acquisition of Adams Packing Association, Inc. on October 28. Adams process and markets natural citrus juices over the eastern United States and Canada. With Texusun, the Company's other fruit juice processor marketing primarily in the West and Southwest, we have achieved a substantial percentage of national distribution.

On November 18, Frederick Cooper Lamps Co. and Bruce Industries Inc. were merged with your Company. Their traditional and contemporary lamps are marketed throughout the United States to essentially the same consumer groups as our liquid refreshment products, and round out the line of home decorative accessories introduced by the Company since 1968.

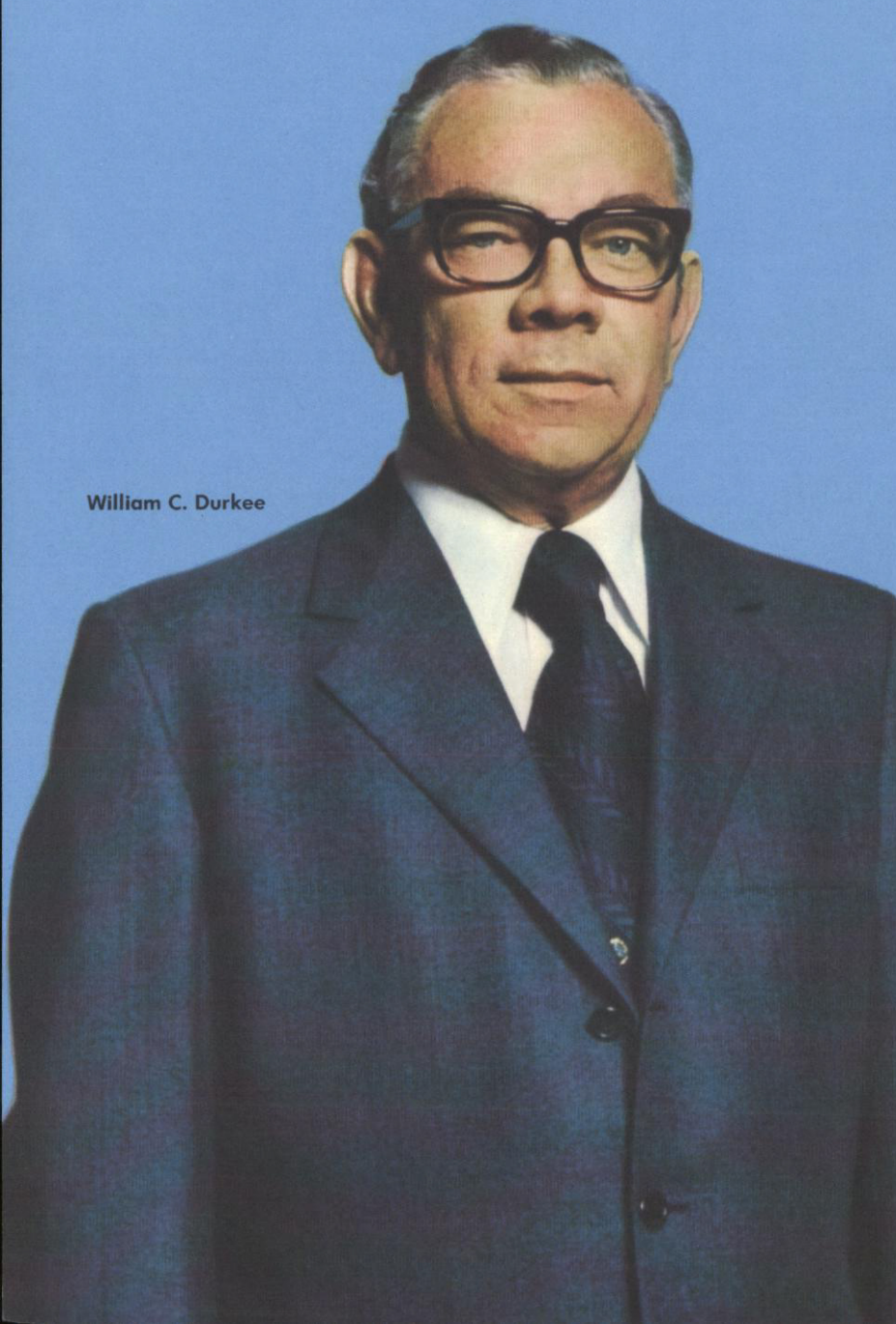
Two operations with limited potential for Royal Crown Cola Co. were sold during 1971. On July 2 the soft drink canning plant in Timonium, Maryland was sold and its operations transferred to franchised bottler-canners. The Salt Lake City bottling facilities were sold on September 30 to independent operators in the area who will continue to bottle and market all Royal Crown products.

Full cooperation was given to governmental authorities who have

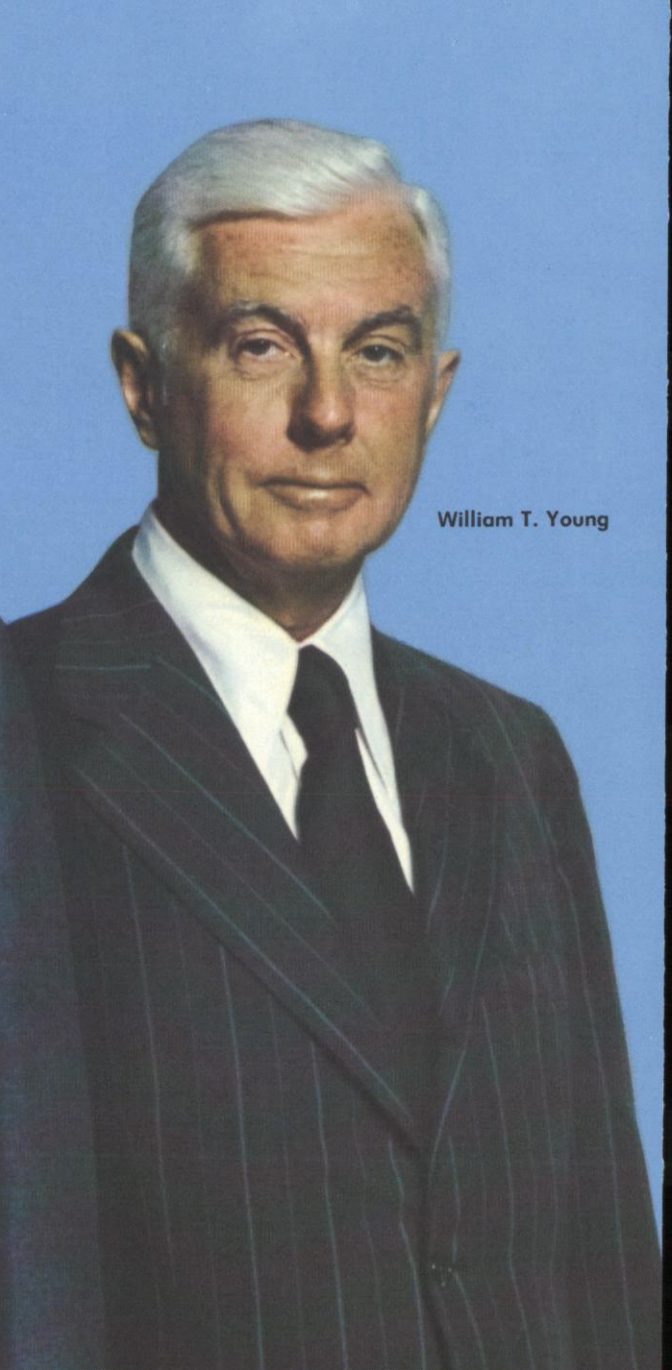
reviewed the organization's equal employment opportunities, franchise system, and ingredients and labeling, among many other matters. In the last case, for example, the Food and Drug Commissioner issued January 28, 1972 a regulation he had proposed last June 25. It approved saccharin as an additive to soft drinks and set levels of usage, in accordance with the President's aim to set levels for the use of all food additives. All Company products are and

always have been within the levels. The regulation requires no change in ingredients or labeling of any of Royal Crown products.

Mr. J.D. Box, who has served as a member of the Board of Directors for thirty-two years, announced last month his preference not to be renominated for the coming year. His faithful service and good counsel is appreciated. To fill the vacancy, Ray E. Crowley, recently promoted to Senior Vice President,

A color portrait of William C. Durkee, a middle-aged man with dark hair, wearing thick-rimmed glasses, a white shirt, a dark tie, and a dark suit jacket. He is looking directly at the camera with a neutral expression.

William C. Durkee

A color portrait of William T. Young, an older man with white hair, wearing a white shirt, a dark tie, and a dark pinstriped suit jacket. He is looking directly at the camera with a neutral expression.

William T. Young

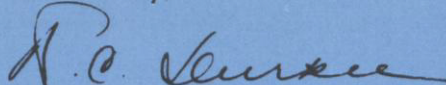
was nominated. Burton N. Lowe was, on May 15, elected Senior Vice President in charge of domestic soft drink concentrate operations. George W. Gray was elected Controller on May 1.

The National Academy of Sciences has established a minimum daily requirement of 64 ounces of liquid per person to maintain health. The National Soft Drink Association reports that the average consumer enjoys about eight ounces of soft drinks per day. It is significant that

per capita demand for soft drinks to fulfill liquid requirements with enjoyable flavor has risen steadily for over seventy-five years. The opportunities for producers of high quality, moderately-priced soft drinks are evident.

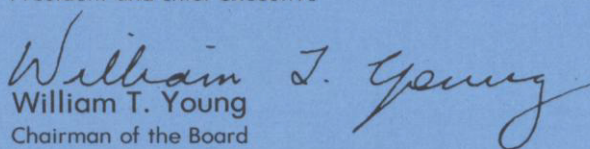
We look to the coming year with eagerness and confidence for still higher achievements in every segment of our business.

Yours truly,



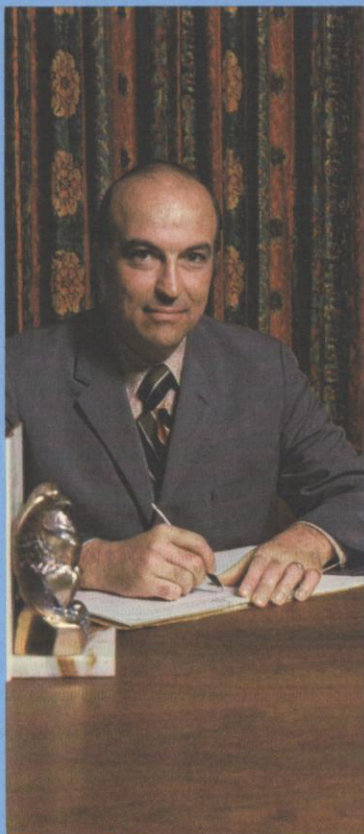
W.C. Durkee

President and chief executive

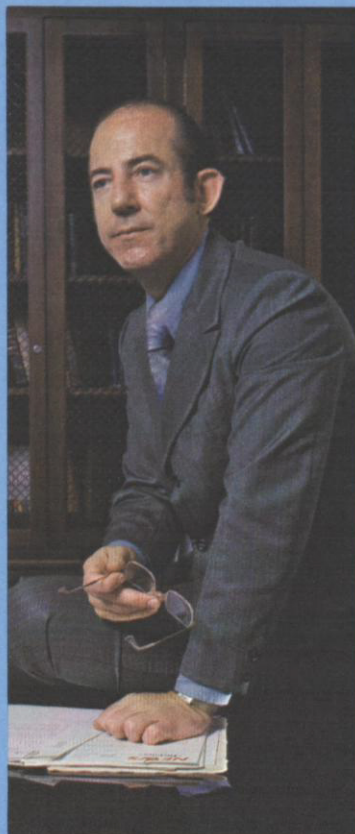


William T. Young

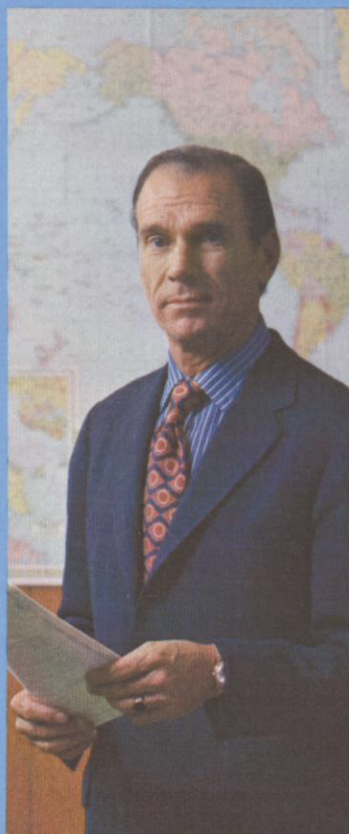
Chairman of the Board



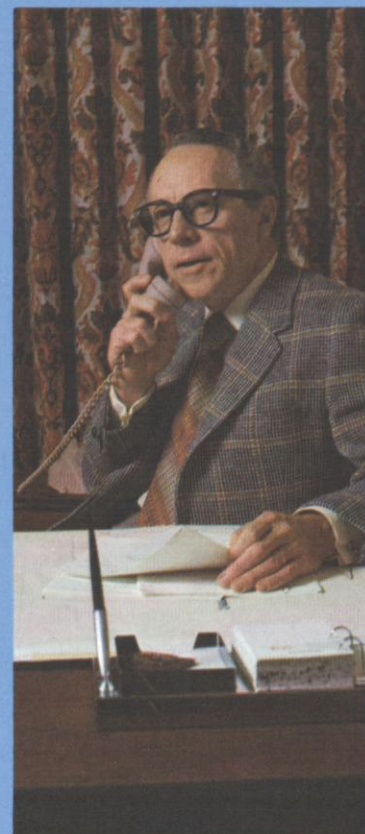
Burton N. Lowe



Ray E. Crowley



Reginald A. Sinclair



Robert M. Worden

CONSOLIDATED CURRENT AND RETAINED INCOME

Royal Crown Cola Co. and Subsidiaries

	Year ended December 31	
	<u>1971</u>	<u>1970 restated</u>
Products sold.	\$125,749,785	116,617,071
Cost of products sold.	67,562,328	64,466,371
Gross margin.	58,187,457	52,150,700
Marketing, selling and administration.	42,712,846	38,786,372
Operating margin.	15,474,611	13,364,328
Other income, net.	741,343	315,664
Pretax income.	16,215,954	13,679,992
Federal and state income taxes provided.	7,814,907	7,101,579
Net income:		
\$1.22 per average share	8,401,047	
.96 per average share		6,578,413
Dividends declared:		
54½¢ per share	3,664,786	
54¢ per share		3,350,104
Income retained in (withdrawn from) the business:		
From operations	4,736,261	3,228,309
Treasury stock retired	(1,237,000)	
At beginning of the year	24,316,300	21,087,991
At end of the year	\$ 27,815,561	24,316,300

See accompanying notes to financial statements.

CHANGES IN CONSOLIDATED FINANCIAL POSITION

Royal Crown Cola Co. and Subsidiaries

	Year ended December 31	
	<u>1971</u>	<u>1970 restated</u>
Funds provided:		
Net income.....	\$ 8,401,047	6,578,413
Non-cash costs:		
Depreciation provided to amortize the cost of fixed assets evenly during their expected useful lives.....	3,731,263	3,491,847
Federal income tax deferred.....	226,059	17,721
Funds provided from operations.....	12,358,369	10,087,981
Fixed assets sold.....	706,162	2,861,814
Other assets liquidated.....		210,822
Treasury shares issued.....	1,334,569	
Common shares issued.....	2,379,255	
Total funds provided.....	<u>16,778,355</u>	<u>13,160,617</u>
Funds used:		
Fixed assets added and replaced.....	11,277,874	3,455,705
Businesses acquired at cost less book.....	101,782	
Invested in other assets.....	1,245,915	
Term liabilities liquidated.....	361,576	3,065,901
Dividends declared.....	3,664,786	3,350,104
Total funds used.....	<u>16,651,933</u>	<u>9,871,710</u>
Net increase in working funds.....	<u>\$ 126,422</u>	<u>3,288,907</u>
Increase (decrease) in working funds:		
Current assets:		
Cash and short-term investments.....	\$ (4,676,327)	4,608,817
Accounts receivable.....	7,786,905	(1,802,524)
Inventories.....	4,204,067	1,557,665
Prepaid expenses.....	(306,848)	(1,241,568)
	<u>7,007,797</u>	<u>3,122,390</u>
Current liabilities:		
Accrued federal and state income taxes.....	235,587	(4,272,507)
Notes payable.....	(5,039,571)	1,992,462
Trade accounts payable.....	(1,950,725)	2,109,953
Accrued advertising and payrolls.....	(126,666)	336,609
	<u>(6,881,375)</u>	<u>166,517</u>
Net increase in working funds.....	<u>\$ 126,422</u>	<u>3,288,907</u>

See accompanying notes to financial statements.

CONSOLIDATED FINANCIAL POSITION

Royal Crown Cola Co. and Subsidiaries

	December 31	
	<u>1971</u>	<u>1970 restated</u>
NET ASSETS		
Working funds:		
Current assets:		
Cash and short-term investments.....	\$ 6,804,168	11,480,495
Accounts receivable, less \$557,611 and \$598,120 reserved.....	16,852,130	9,065,225
Inventories at the lower of average cost or market:		
Products finished and in process.....	7,614,629	5,185,570
Materials and supplies.....	7,553,007	5,777,999
Prepaid expenses.....	1,108,600	1,415,448
Total current assets.....	<u>39,932,534</u>	<u>32,924,737</u>
Current liabilities:		
Accrued federal and state income taxes.....	4,036,920	4,272,507
Notes payable.....	5,806,232	766,661
Trade accounts payable.....	10,147,849	8,197,124
Accrued advertising and payrolls.....	5,428,420	5,301,754
Total current liabilities.....	<u>25,419,421</u>	<u>18,538,046</u>
Net working funds.....	<u>14,513,113</u>	<u>14,386,691</u>
Fixed assets:		
Buildings.....	9,616,087	8,198,028
Production equipment.....	15,736,581	11,707,879
Delivery equipment.....	10,163,031	9,065,884
Depreciable assets at cost.....	35,515,699	28,971,791
Accumulated depreciation.....	15,197,936	14,633,564
Net depreciable assets.....	20,317,763	14,338,227
Land at cost.....	2,406,528	1,545,615
Net fixed assets.....	<u>22,724,291</u>	<u>15,883,842</u>
Acquired businesses at cost less book value.....	3,170,464	3,068,682
Other assets.....	<u>2,181,919</u>	<u>936,004</u>
Total working funds, fixed and other assets.....	<u>42,589,787</u>	<u>34,275,219</u>
Liabilities due in varying annual amounts to 1980.....	(1,878,079)	(2,239,655)
Deferred federal income taxes.....	<u>(890,877)</u>	<u>(664,818)</u>
Net assets in which shareowners' equity is invested.....	<u>\$39,820,831</u>	<u>31,370,746</u>

See accompanying notes to financial statements.

CONSOLIDATED FINANCIAL POSITION

Royal Crown Cola Co. and Subsidiaries

	December 31	
	<u>1971</u>	<u>1970 restated</u>
SHAREOWNERS' EQUITY		
Shares:		
Preferred at no par; authorized 3,000,000; none issued		
Common at \$1 par; authorized 12,000,000; issued:		
1971 - 7,041,622.....	\$ 7,041,622	
1970 - 6,955,453.....		6,955,453
Capital in excess of par.....	4,963,648	1,433,562
Income retained in the business.....	27,815,561	24,316,300
	39,820,831	32,705,315
78,876 common shares in treasury at cost.....		1,334,569
Total shareowners' equity.....	<u>\$39,820,831</u>	<u>31,370,746</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

A Florida fruit juice marketer, Adams Packing Association, Inc., was acquired October 28, 1971 for 18,569 unissued and 271,456 treasury common shares valued at \$7,409,867, which was less than the fair value of Adams assets. The transaction increased Common shares \$18,569 and Capital in excess of par \$2,319,987; and reduced Treasury shares \$1,334,569 and Retained income \$1,237,000. Operations for November and December are consolidated in 1971 income. Had Adams been consolidated in each year, the Company would have reported Products sold. Net income and Earnings per share at \$138,659,209, \$8,785,891 and \$1.26 for 1971 and \$131,243,243, \$6,825,784 and 98¢ for 1970, respectively.

The Company pooled interests with 2 lamp manufacturers, Frederick Cooper Lamps Co. and Bruce Industries Inc. by issuing 239,893 common shares November 18, 1971. Common shares and Retained income were restated upward at December 31, 1969 by \$239,893 and \$917,935, respectively; Capital in excess of par was charged \$62,314. Consolidated operations include \$550,738 earned by selling \$7,857,126 in 1971 and \$203,111 by selling \$6,167,263 in 1970.

If the net income of another subsidiary continues, 66,000 maximum shares may be issued in 1974. Per option plans previously adopted by shareowners, 67,600 shares were sold for cash (credited \$67,600 to Common shares and \$1,210,099 to Capital in excess of par) and options on 43,500 shares were granted to officers and key employees during 1971. Options on 232,550 shares are exercisable after 1971 at \$12.93 to \$33.12 each, market at dates granted.

ACCOUNTANTS' REPORT

To the Shareowners and Directors
Royal Crown Cola Co.

We have examined the consolidated financial position of Royal Crown Cola Co. and subsidiaries at December 31, 1971 and the related statements of consolidated current and retained income and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination of the financial statements for the preceding year.

In our opinion, the consolidated statements mentioned above present fairly the financial position of Royal Crown Cola Co. and subsidiaries at December 31, 1971 and 1970 and the results of operations and changes in financial position for each year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Lybrand, Ross Bros. + Montgomery

Birmingham, Alabama
February 9, 1972

SERVICES, MARKETS AND PRODUCTS:

During the last nine months of 1971, RC Cola was the fastest growing cola in the nation's food stores, growing at twice the rate of its competitors. Early in the year, a new RC Cola advertising campaign was built around a reason-to-buy: "Tastes Easy on the Syrup, Easy On The Gas." Plans for the coming year include continuation of the campaign and accelerated promotional activities.

In its efforts to meet its social responsibilities, the Company introduced a new completely modernized packaging concept with "The Saver" bottle, the first paper labeled, resealable, returnable soft drink bottle. Ecologically, The Saver is an important stride forward since, being returnable and recyclable, it can lessen to an important degree the solid waste disposal problem insofar as soft drink containers are concerned and simultaneously makes maximum use of the natural resources involved in the production of glass. The Saver marked the first use, too, of biodegradable dissolvable paper labels.

The Saver offers consumers the convenience features of the aluminum twist-off, twist-on cap until now available in throw-away bottles only, while at the same time assuring them of highest quality soft drinks at lower cost per ounce. Through use of The Saver, consumers can now enjoy all Royal Crown products at economies comparable in many cases to those of the 1920s.

Introduced in the Charleston, West Virginia area in the 16-ounce size only, the package was later in the year introduced in other markets in large, party-sized bottles dubbed "The Big Saver". At year's end, many bottlers were poised to introduce The Saver or The Big Saver or both. Overall sales of Royal Crown products in The Saver packages have experienced substantial gains.

Diet Rite Cola continued to attract new triers among dieters and non-dieters, and to enjoy substantial sales growth. A new advertising campaign

based on the theme, "Everybody Likes It," and built around a highly catchy musical jingle was launched in the Fall for use throughout 1972. A logical extension of, "It tastes so good even non-dieters drink it," the new campaign features real-life people singing the jingle with obvious fun in the television versions, and a variety of musical treatments for radio.

The Company was active in 1971 in numerous civic projects on national, regional and local bases. Among them, "Uncover America", a program developed

by Royal Crown Cola for local implementation to encourage public participation in litter removal from public places, was especially well received. In concert with Scholastic Magazine and "Keep America Beautiful, Inc.", the Company sponsored a national ecology essay contest among the nation's 5,000 junior high schools which was acclaimed eminently successful by both organizations.

For the eighth year, Royal Crown Cola Co., with the Pittsburgh Courier newspaper, sponsored the 1971 All-America Football



Awards and banquet for outstanding athletes of primarily black colleges who are rarely recognized in other All-America selections.

Distribution of natural fruit juices was significantly broadened in the eastern USA and Canada with the acquisition of a Florida-based processor, Adams Packing Association, Inc. Consumer marketing techniques were adopted in the West for TEXSUN fruit juices, and included the first use of television advertising.

Sugar Free RC, a new cola product

containing less than one calorie per 16-ounce bottle, was successfully test-marketed and now is in the process of expansion into major markets across the USA. Thirteen bottlers have already launched the product into such markets as Milwaukee, Chicago, St. Louis, Nashville and Washington, D.C.

Royal Crown enjoyed the largest expansion period of its history abroad by franchising fifteen new bottling plants in such countries as Canada, Austria, Venezuela, Australia, Philippines, Okinawa and Japan.



